

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES AND CHARITIES DIVISION**

IN THE MATTER OF:

**Lampton Street Church Financial
Services, Inc., Lampton Street Church
of Christ, Inc., and Harvey M. Jackson,**

Respondents.

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**Administrative Proceeding
No. S-09-0084**

**FINAL CEASE AND DESIST ORDER
AND ORDER IMPOSING ADMINISTRATIVE PENALTIES**

WHEREAS, the Lampton Street Church Financial Services, Inc. ("LSFS"), the Lampton Street Church of Christ, Inc. ("COC"), and Harvey M. Jackson ("Jackson") were Respondents in the Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty issued in this matter by the Securities and Charities Division of the Mississippi Secretary of State's Office on June 3, 2010; and

WHEREAS, Lindsey C. Meador, Esq. requested an administrative hearing on behalf of all Respondents; and

WHEREAS, in response to Respondents' request for an administrative hearing, David Dogan, Esq. was appointed as the Hearing Officer by Order dated July 17, 2010; and

WHEREAS, an administrative hearing was held on November 3, 2010; and

WHEREAS, the Secretary of State's Office was represented by Patricia Melvin, Esq. and Respondents Lampton Street Church of Christ, Inc., and Reverend Harvey M. Jackson were represented by Lindsey C. Meador, Esq.

WHEREAS, Lampton Street Church Financial Services did not appear at the hearing, independently or through counsel; and

WHEREAS, after the presentation of testimony and evidence by the Division, the Respondents, COC and Jackson, rested without calling witnesses or offering evidence.

WHEREAS, the Hearing Officer issued his Findings of Fact and Conclusions of Law With Recommendation to the Secretary of State on November 19, 2010, a copy of which is affixed hereto as Exhibit “A” and incorporated herein by reference; and

WHEREAS, the Hearing Officer’s Findings of Fact and Conclusions of Law are an appropriate and thorough resolution of the issues raised in this administrative proceeding; and

NOW, THEREFORE, the Secretary of State, as the administrator of the Mississippi Securities Act (2000), adopts the Findings of Fact and Conclusions of Law With Recommendation to the Secretary of State and hereby enters this Order:

I. FINDINGS OF FACT

- A. The Agreements offered by the Respondents were promissory notes and, as such, are defined as securities in Miss. Code Section 75-71-105(n).
- B. The Division is charged with the responsibility of administering and regulating securities under the Mississippi Securities Act, Miss. Code Ann. Sections 75-71-101, *et. seq.*, (“Act”), which governs the offer, sale, and purchase of securities in Mississippi and persons who operate in the securities industry.
- C. Respondents did not register the investments offered.
- D. Respondents did not register as agents of the offering entities.

- E. In the offer of these securities, false and misleading statements were made to investors concerning the investment and the investor's rights to withdraw his/her investment proceeds in violation of Miss. Code Section 75-71-501(2).
- F. These untruthful and misleading statements and assurances made by Jackson an agent of Lampton Street Church of Christ, Inc. and Lampton Street Church Financial Services of material facts constituted a device, scheme or artifice to defraud in violation of Miss. Code Section 75-71-501(1).
- G. Jackson, together with the Lampton Street Church of Christ, Inc. and Lampton Street Church Financial Services, employed a scheme, device or artifice to defraud investors in the offer of securities for sale in violation of Miss. Code Section 79-11-501(1).
- H. Further, false and misleading statements of material fact concerning both the issuer of the security (Lampton Street Church of Christ, Inc. and/or Lampton Street Church Financial Services, Inc.) and the financial condition of investors' investments were made by Jackson in violation of Miss. Code Section 79-11-501(2).
- I. Together, Respondents' scheme to defraud investors constitutes an act, practice and course of business that operated as a fraud and deceit upon those investors who relied on the materially false statements made by Jackson concerning the investments being offered and sold by the COC and/or LSFS, Inc. in violation of Miss. Code Section 79-11-501(3).

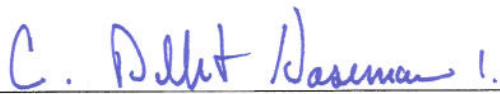
- J. Each promissory note issued to each investor over the nineteen (19) years constitutes a separate offense.

II. ORDER

IT IS THEREFORE ORDERED that an administrative penalty of Fifty Thousand Dollars (\$50,000.00) is jointly and severally assessed against Respondents Harvey M. Jackson, the Lampton Street Church of Christ, Inc., and the Lampton Street Church Financial Services. Said penalty is to be paid within thirty (30) days from the date of this Order.

IT IS FURTHER ORDERED, that costs of the investigation and administrative action in the amount of Four Thousand Nine Hundred Fifty-Four Dollars and Eighty Cents (\$4,954.80) be assessed against Respondents Harvey M. Jackson, Lampton Street Church of Christ, Inc. and Lampton Street Church Financial Services.

SO ORDERED, this, the 16 day of December, 2010.


C. DELBERT HOSEMAN, JR.
SECRETARY OF STATE

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**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES AND CHARITIES DIVISION**

IN THE MATTER OF:

ADMINISTRATIVE PROCEEDING
FILE NO. S-09-084

LAMPTON STREET CHURCH FINANCIAL
SERVICES, INC., LAMPTON STREET
CHURCH OF CHRIST, INC.,
AND HARVEY M. JACKSON,

RESPONDENTS

**FINDINGS OF FACT AND CONCLUSIONS OF LAW WITH RECOMMENDATION TO
THE SECRETARY OF STATE**

Pursuant to Secretary of State Hosemann's Order dated July 17, 2010, the undersigned Hearing Officer conducted a hearing on November 3, 2010 in this proceeding. The hearing was at the request of Respondents, through counsel, for an administrative hearing on the Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty, hereinafter "CDO," entered by the Secretary of State's office on June 3, 2010.

The hearing was conducted upon proper notice in the conference room of the Secretary of State's office at 700 North Street, Jackson, Mississippi. The hearing was transcribed by Harvey J. Rayborn, CSR #1274. A copy of the official transcript is attached hereto and incorporated herein by reference as Attachment 1. The Secretary of State's Office was represented by Patricia Melvin, Esq. Respondents

Lampton Street Church of Christ, Inc. and Harvey M. Jackson, hereinafter "Appearing Respondents," were represented by Lindsey C. Meador, Esq. No appearance was made, nor representation provided, for Respondent Lampton Street Church Financial Services, Inc.

At the onset of the Hearing, Appearing Respondents offered a written response to the CDO. Counsel for the Secretary of State objected to this pleading being filed. Counsel for Appearing Respondents acknowledged it was filed out of time (P. 6, L. 16 – 25, P. 7, L. 1 – 14). Having considered all the interests involved, and in an effort to make as complete an assessment as possible, the **Response by Lampton Street Church of Christ, Inc. and Harvey M. Jackson, to Allegations of the Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty Dated June 3, 2010** will be accepted and relied upon in this Findings of Fact and Conclusions of Law. The Secretary of State's objection is noted, and hereby overruled.

Mona Shedd and Earnest Ward were called as witnesses and offered testimony in the Secretary of State's case in chief. Additionally, an Affidavit of Verline Ward dated October 15, 2010 was offered by the Secretary of State and received into evidence without objection from Appearing Respondents. Exhibits 1 through 7, inclusive, were received into evidence without objection from Appearing Respondents. [Those exhibits are attached to the transcript which is filed in this matter as Attachment 1.]

At the conclusion of the Secretary of State's case in chief, Appearing Respondents rested without calling witnesses or offering evidence. Appearing

Respondents did participate in cross-examination of the witnesses called by the Secretary of State.

The testimony and exhibits introduced present a disturbing course of conduct by a Church and its Pastor. The Lampton Street Church of Christ, Inc. began in the early 1990s a "program" whereby it would "invite" investors to sign Agreements whereby funds would be placed with Lampton Street Church of Christ, Inc. and/or Lampton Street Church Financial Services, Inc. in exchange for the promise of a return of 8 percent interest. Introduced without objection as Exhibit 1 is a collection of documents, including at pages 3, 4 and 5 of 25 the POLICIES AND PROCEDURES BY-LAWS for the Lampton Street Church Financial Services, Inc.

These Policies and Procedures, which are undated, clearly indicate they are By-Laws for a corporation. The proof was uncontested that Lampton Street Church Financial Services, Inc. never incorporated in the State of Mississippi, or anywhere else. The Agreements between various investors and LAMPTON STREET CHURCH FINANCIAL SERVICES were introduced without objection. Exhibit 1, pages 7,11,15,16,20,21,24 and 25 of 25. These exhibits, together with the testimony of Earnest Ward, present sufficient evidence to meet the Secretary of State's burden to find that a scheme was devised to solicit investors to deposit money into a nonexistent corporation. Further, the inducement of the pastor of the Lampton Street Church of Christ, Inc. was shown on each Agreement as "trustee" of the funds paid by investors.

There was uncontested evidence that neither Appearing Respondents registered either the investments being offered or as agents of the offering entities.

Thus, the unregistered instruments (Miss Code Ann. § 75-71-401) and the party offering these unregistered instruments (Miss Code Ann. § 75-71-301) both are in violation of state securities laws. Further, the evidence is clear, and sufficient to meet the Secretary of State's burden, that the Agreements referenced above are promissory notes and, as such, are included in the schedule of securities outlined in Miss. Code Ann. § 75-71-105(n).

Together, the offering of unregistered securities and the acts of an unregistered agent are sufficient to meet the burden of proving a violation of Miss. Code Ann. § 75-71-501. The proof was sufficient to establish that securities (Promissory Notes) were offered to investors by an unregistered agent (Harvey M. Jackson), and in doing so false statements were made concerning the investment and the investor's rights to withdraw his/her investment proceeds.

Mr. Ward's testimony supports the agency position of Dr. Jackson as well as the false and misleading statements concerning the investments:

"Q. You testified that you were 19 and getting ready to go off to college when you first begin investing. Did you ever at some point in time begin to question Reverend Jackson or any of the church officers about your investments? A. Yes. In 2005, the company, I think Eron, had, in Texas, I think it was in Texas, they had had a big fall-out of investors and I begin to get concerned about mines, because I had begin to get a lot of money in the church, in the business, Lampton Street Church Financial Services business, and I talked to Jackson about my concerns and he said I ain't had nothing to worry about, everything was fine."

p. 70,LL. 3 – 16. Further, on p. 76,LL 15 – 20, Ward testified, "Q. But no details were given when you first made these deposits? A. I just took him on his word because he was my spiritual guidance and I also respected him as a father so whatever he said at the time I trusted him on it."

This testimony is sufficient to find that Harvey M. Jackson, acting in his capacity as the unregistered agent of the offering entities, made statements, assurances and inducements to investors which were not truthful of material facts and misleading. This conduct by the issuing entities and their agent are sufficient to constitute a finding that there was a device, scheme or artifice to defraud perpetrated upon investors.

Page 13 of 25 in Exhibit 1 to the Transcript is a check made payable to Ruthie Ward. It is drawn on the Cleveland State Bank. The account is shown as that of "Dr. Harvey M. Jackson" and is signed by Harvey M. Jackson. It is shown to be check number 7917. The amount is \$6,994.87. Page 14 of 25 to Exhibit 1 is a document entitled "Lampton Street Church of Christ Financial Services Investment Report." This Report chronicles the investments made by Ruthie Mae Ward from 05/21/1994 through 06/04/2008. The ending balance shown in Ruthie Mae Ward's account on 06/04/2008 is \$6,994.87. A handwritten notation on the lower left side of this documents states, " Pd in full/check #7917/HMJ." The document is signed by an illegible signature of an individual identified as Chief Financial Officer, Lampton Street Church of Christ, Tax ID # 64-0733595.

These two documents, referenced immediately above, show that Ruthie Mae Ward invested money in the "Lampton Street Church of Christ Financial Services," and when she withdrew her invested funds, together with interest accrued, she was paid from an account in the name of Dr. Harvey M. Jackson.

There was no testimony to establish that Dr. Harvey M. Jackson ever properly registered as an agent, as defined in Miss. Code Ann. § 75-71-105(a). There was no

testimony that Lampton Street Church of Christ, Inc., or Lampton Street Church Financial Services, Inc., ever sought to have the notes being issued exempted from the registration requirements as provided in Miss. Code Ann. § 75-71-401. Nor was there any testimony to support a finding that the securities being offered for sale were a federal covered security. *Id.* There was direct evidence to the contrary; that is, Harvey M. Jackson, Lampton Street Church of Christ, Inc. and Lampton Street Church Financial Services, Inc. never registered with the Secretary of State's Office. P. 25, L 19 through p. 26, L 4. See also, p. 42, LL 13 – 21.

The facts clearly support a finding that Harvey M. Jackson, together with Lampton Street Church of Christ, Inc. and Lampton Street Church Financial Services, Inc., offered for sale securities by employing a scheme, device or artifice designed to defraud investors. Miss. Code Ann. § 75-71-501(1). Further, false and misleading statements of material fact concerning both the issuer of the security (Lampton Street Church of Christ, Inc. and/or Lampton Street Church Financial Services, Inc.) and the financial condition of the investors' investments were made by Harvey M. Jackson, an unregistered agent. Together, this scheme to defraud investors constitutes an act, practice and course of business that operated as a fraud and deceit upon those investors who relied upon materially false statements made by Harvey M. Jackson concerning the investments being offered/sold by Lampton Street Church of Christ, Inc. and/or Lampton Street Church Financial Services, Inc. Miss. Code Ann. § 75-71-501 (3).

The penalties for such misconduct are controlled by Miss. Code Ann. § 75-71-715. Of significance to this finding and recommendation is the provision of Section

(2)(b) of this statute. The "... resources of the person committing the violation; ..." are to be considered in any sanction. There was no testimony concerning the resources of Harvey M. Jackson. The only testimony concerning Lampton Street Church of Christ, Inc. was that it was not in good financial condition. P. 73, LL 8 - 13. There was no testimony concerning the resources of Lampton Street Church Financial Services, Inc. This entity in all reality never was properly incorporated and served merely as a legal fiction, adding to the false, deceptive and misleading actions and conduct of Harvey M. Jackson and Lampton Street Church of Christ, Inc.

An administrative penalty up to the maximum of \$25,000.00 for each offense, and each violation shall be considered as a separate offense in a single proceeding or a series of related proceedings, are provided for in Miss. Code Ann. § 75-71-715 (2)(a). Additionally, all expenses and costs incurred by the Secretary of State in the investigation of the violation(s) and in the institution of administrative proceedings are required to be paid by a Respondent found liable.

From the evidence presented, there are literally scores, if not hundreds, of separate offenses, as each promissory note issued would constitute a separate offense. Additionally, the other factors which are required to be considered are the "... frequency, persistence, and willfulness of the conduct constituting a violation of this chapter..." Miss. Code Ann. § 75-71-715 (2)(b). The evidence presented shows a frequency and persistence that began as early as 1991 and continued year after year with investor after investor until 2009. The willfulness is difficult to determine, as no witness on behalf of any Respondent appeared or testified. Only from the

testimony received by Mr. Ward in person, and Ms. Ward by Affidavit, can the willfulness of the Respondents be inferred.

In the Response filed on the day of the Hearing by Appearing Respondents, the following admissions were made:

1. The Agreements (between issuer and investor) were not registered, exempt, or federal covered securities. ¶ 12.
2. (Harvey M.) Jackson was not a registered issuer or agent. ¶ 13.
3. All activities complained of in the Summary Cease and Desist Order have ceased and not been continued. ¶ 18.

There was mention, though no testimony offered, that civil proceedings have been filed by various investors against certain of the Respondents herein. No pleading was offered, no claim for relief provided and no defenses have been asserted, if any, by the defendants in those actions. The Response filed by Appearing Respondents in Paragraph 17 affirmatively states that an admission has been made in the civil proceedings that Lampton Street Church of Christ, Inc. owes Ernest (sic) Ward and Verlina (sic) Ward Williams a sum certain, but no amount is provided.

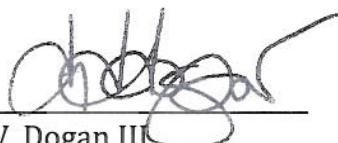
Without evidence to guide or offer assistance in determining the resources of any of the Respondents to satisfy an administrative penalty recommended, the issue is tenuous. The reality is that any award imposed upon, and successfully collected from, any of the Respondents would most likely diminish the funds/resources available to make whole the investors who have been directly damaged. However, the Mississippi Code is clear in the appropriateness of an administrative penalty and provides some guidance in determining the amount. The Code is clear concerning

the Secretary of State's right to reimbursement for expenses and costs incurred in this proceeding.

It is my recommendation, considering all of the evidence presented and the legal authorities applicable, that the Respondents, jointly and severally, be assessed an administrative penalty of \$50,000. The Secretary of State can, in his discretion, seek to collect or forgive this amount, or any part thereof, upon a showing by the Respondents that payment of such would directly impede repayment to any and all investors. However, the clear violation of the law and continued and longstanding persistence in perpetrating this device, scheme or artifice against the investors must have consequence.

Additionally, the Secretary of State should present evidence of the costs and expenses incurred in investigating these Respondents and the complaints lodged against them, as well as the costs of this Administrative Hearing, and should present that proof for inclusion in the award to be made against the Respondents, jointly and severally.

So Found, Concluded and Recommended, this the 19th day of November, 2010.



David W. Dogan III
Hearing Officer

CERTIFICATE OF SERVICE

I, David W. Dogan III, do hereby certify that I have this day served via United States Mail, postage fully prepaid, a true and correct copy of the above to all counsel of record.

This the 19th day of November, 2010.



David W. Dogan III